

## Bureau of Land Management, Interior

## §3137.64

### UNIT AGREEMENT OPERATING REQUIREMENTS

#### **§3137.60 As the unit operator, what are my obligations?**

As the unit operator—

(a) You must comply with the terms and conditions of the unit agreement, Federal laws and regulations, lease terms and stipulations, and BLM notices and orders;

(b) You must provide to BLM evidence of acceptable bonding. Acceptable bonding means a bond in an amount which is no less than the sum of the individual Federal bonding requirements for each of the NPR-A leases committed to the unit. You may also meet this requirement if you add the unit operator as a principal to lease bonds to reach the required amount; and

(c) The bond must be payable to the Secretary of the Interior.

#### **§3137.61 How do I change unit operators?**

(a) To change unit operators, the new unit operator must submit to BLM—

(1) Statements that—

(i) It accepts unit obligations; and

(ii) The percentage of required interest owners consented to a change of unit operator; and

(2) Evidence of acceptable bonding (see §3137.60(b) of this subpart).

(b) The effective date of the change in unit operator is the date BLM approves the new unit operator.

#### **§3137.62 What are my liabilities as a former unit operator?**

You are responsible for all duties and obligations of the unit agreement that accrued while you were unit operator up to the date BLM approves a new unit operator.

#### **§3137.63 What are my liabilities after BLM approves me as the new unit operator?**

(a) After BLM approves the change in unit operator, you, as the new unit operator, assume full liability, jointly and severally with the record title and operating rights owners, except as otherwise provided in paragraph (c) of this section and to the extent permitted by law, for—

(1) Compliance with the terms and conditions of the unit agreement, Federal laws and regulations, lease terms and stipulations, and BLM notices and orders;

(2) Plugging unplugged wells and reclaiming unreclaimed facilities that were installed or used before the effective date of the change in unit operator (this liability is joint and several with the former unit operator); and

(3) Those liabilities accruing during the time you are unit operator.

(b) Your liability includes, but is not limited to—

(1) Rental and royalty payments;

(2) Protecting the unit from loss due to drainage as provided in §3137.64 of this subpart;

(3) Well plugging and abandonment;

(4) Surface reclamation;

(5) All environmental remediation or restoration required by law, regulations, lease terms, or conditions of approval; and

(6) Other requirements related to unit operations.

(c) Your liability for royalty and other payments on the unit is limited by section 102(a) of the Federal Oil and Gas Royalty Management Act of 1982, as amended (30 U.S.C. 1712(a)).

#### **§3137.64 As a unit operator, what must I do to prevent or compensate for drainage?**

You must prevent uncompensated drainage of oil and gas from unit land by wells on land not subject to the unit agreement. Permissible means of satisfying the obligation include—

(a) Drilling a protective well if it is economically feasible. For this subpart, *economically feasible* means producing a sufficient quantity of oil or gas from a protective well in the unit for a reasonable profit above the cost of drilling, completing and operating the protective well;

(b) Paying compensatory royalty;

(c) Forming other agreements, or modifying existing agreements, that allow the tracts committed to the unit agreement to share in production after the effective date of the new or modified agreement; or

(d) BLM may require additional measures to prevent uncompensated drainage.

## § 3137.70

### DEVELOPMENT REQUIREMENTS

#### **§ 3137.70 What must I do to meet initial development obligations?**

(a) To meet initial development obligations by the time specified in your unit agreement you must—

(1) Drill the required test well(s) to the primary target;

(2) Drill at least one well that meets the productivity criteria (*see* § 3137.82 of this subpart); or

(3) Establish, to BLM's satisfaction, that further drilling to meet the productivity criteria is unwarranted or impracticable.

(b) You must certify to BLM that you met initial development obligations no later than 60 calendar days after meeting the obligations. BLM may require you to supply documentation that supports your certification.

#### **§ 3137.71 What must I do to meet continuing development obligations?**

(a) Once you meet initial development obligations, you must perform additional development. Work you did before meeting initial development obligations is not continuing development. Continuing development includes the following operations—

(1) Drilling, testing, or completing additional wells to the primary target or other unit formations;

(2) Drilling or completing additional wells that establish production of oil and gas;

(3) Recompleting wells or other operations that establish new unit production; or

(4) Drilling existing wells to a deeper target.

(b) No later than 90 calendar days after meeting initial development obligations, submit to BLM a plan that describes how you will meet continuing development obligations. You must submit to BLM updated continuing obligation plans as soon as you determine that, for whatever reason, the plan needs amending.

(1) If you have drilled a well that meets the productivity criteria, your plan must describe the activities to fully develop the oil and gas field.

(2) If you fulfilled your initial development obligations, but did not establish a well that meets the productivity

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criteria, your plan must describe the further actual or constructive drilling operations you will conduct.

#### **§ 3137.72 What if reasons beyond my control prevent me from meeting the initial or a continuing development obligation by the time the unit agreement specifies?**

(a) If reasons beyond your control prevent you from meeting the initial or a continuing development obligation by the time specified in the unit agreement, you may apply to BLM for an extension of time for meeting those obligations. You must submit the request for an extension of time before the date the obligation is due to be met. In the application—

(1) State the obligation for which you are requesting an extension;

(2) List the reasons beyond your control that prevent you from performing the obligation; and

(3) State when you expect the reasons beyond your control to terminate.

(b) BLM will grant an extension of time to meet initial or continuing development obligations if we determine that—

(1) The extension encourages the greatest ultimate recovery of oil or gas or it is in the interest of conservation; and

(2) The reasons beyond your control prevent you from performing the initial or a continuing development obligation.

(c) The extension of time for performing the initial or a continuing development obligation will continue for so long as the conditions giving rise to the extension continue to exist.

#### **§ 3137.73 What will BLM do after I submit a plan to meet continuing development obligations?**

Within 30 calendar days after receiving your proposed plan, BLM will notify you in writing that we—

(a) Approved your plan;

(b) Rejected your plan and explain why. This will include an explanation of how you should correct the plan to come into compliance; or

(c) Have not acted on the plan, explaining the reasons and when you can expect a final response.